

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 3836 - SB 3769

February 18, 2012

SUMMARY OF BILL: Authorizes the State to issue general obligation interest bearing bonds in an amount not to exceed \$381,900,000. Requires bond proceeds be allocated to the Department of Finance and Administration (F&A) in the amount of \$230,900,000 for capital outlay projects, \$1,000,000 to F&A for state office buildings and to support the Facilities Revolving Fund capital projects, \$70,000,000 to F&A for acquisition and implementation of an interoperable communication system upgrade, and \$80,000,000 to the Department of Transportation for the construction, repair, and maintenance of highways. Authorizes the Funding Board to issue bond amounts not to exceed 2.5 percent of the amounts specified above for funding discount and cost of issuance.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$34,850,000 – First-Year Debt Service

\$492,097,000 Over life of the bonds

\$301,900,000 Principal

\$190,197,000 Interest

Other Fiscal Impact – According to the Department of Finance and Administration, the Division of Budget, the specified capital projects and first-year debt service are included in the Governor's proposed budget for FY12-13.

Assumptions:

- All projects authorized shall be approved by the State Building Commission.
- The coupon rate is estimated to be six percent.
- Bonds are issued for a term of 20 years.
- One-twentieth of the principal plus interest will be paid annually.
- F&A indicates that highway projects are generally funded with proceeds from the Highway Fund via gasoline and motor fuel taxes; therefore, \$80,000,000 of highway projects will be paid from the Highway Fund.
- The state will issue \$301,900,000 in general obligation bonds (\$381,900,000 - \$80,000,000).

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- Based on current bond market rates, it is estimated that the cost of capital reflected by a six percent coupon rate will be sufficient for paying actual first-year debt service plus any costs of issuance.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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